

Consumer coordinator

In response to President Ford's directive that the Federal agencies develop programs to make them more responsive to consumers, **State Dept.** has created a new position to strengthen the department's relationship with consumers. The post is that of coordinator of consumer affairs & is being filled by Joan R. Braden.

As consumer affairs coordinator, Mrs. Braden will review proposed policy decisions affecting consumers, help prepare consumer impact statements, recommend departmental policy on consumer issues & serve as the department's liaison with consumer groups. In addition, Mrs. Braden will work directly with Virginia H. Knauer, Special Assistant to the President for Consumer Affairs, to develop new programs in which consumers can participate more fully in State Dept. actions.

To insure more involvement by consumers in State Dept. policymaking, Mrs. Braden will attend the White House Conferences on Consumer Representation Plans being held across the country in January & February [CONSUMER NEWS: Jan. 1] to hear consumers' views. In addition, Mrs. Braden would like to hear from consumers who do not attend the conferences. If you have any comments or suggestions for possible action or consideration by the department, contact: Joan Braden, Consumer Affairs Coordinator, State Dept., Washington, DC 20521; telephone: 202-632-3258.

Land sales

Housing & Urban Development Dept. (HUD) has announced that the sale of lots in the Holiday Haven subdivisions in Smithville, TN, have been stopped until the property report can be updated. A property report, which describes the land offered for sale by a developer, must be given to all prospective buyers before a sale can be made.

Developer suspended sales voluntarily after HUD brought charges that the company failed to tell the public of plans to use half of the proposed clubhouse for rental apartments. In addition, HUD also charged Holiday Haven with failing to tell consumers in its property report that homebuilding on some lots in the subdivision will require special foundation construction due to the slope of the land.

Sales of Holiday Haven lots will begin again when the property report is revised.

consumer news

DEPARTMENT OF HEALTH, EDUCATION & WELFARE
Office of Consumer Affairs
Virginia H. Knauer, Director

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Changed your mind about IRAs?

As a result of the Employee Retirement Income Security Act of 1974, consumers who are not covered by a pension plan where they work, can create their own pension plans. These plans are known as individual retirement accounts (IRAs).

After the law became effective, many insurance companies, banks & other financial institutions began advertising their services & financial plans for consumers who wanted to set up IRAs. Usually ads stressed the tax advantage of establishing IRAs before the end of 1975.

Because of publicity given to IRAs & lack of hard information on comparison of plans, some consumers who did not have pension coverage may have hastily established an IRA under one advertised plan without taking the time to consider the merits of other plans—or other forms of investment.

Under IRA rules, consumers can take a tax deduction for 15% of their earnings up to a maximum of \$1,500. But to take the deduction for the 1975 tax year, consumers had to establish their personal IRAs on or before Dec. 31, 1975.

On Dec. 15, **Internal Revenue Service** (IRS) issued a Technical Information Release (TIR) that described the means by which a consumer could get out of an unsatisfactory IRA investment without adverse tax consequences. In the release, IRS says that if an individual established an IRA before Jan. 1, 1976, & decides to revoke it, he must do so before April 15, 1976 (income tax return deadline). Then, for tax purposes, his income would be treated as though he had never established an IRA in the first place—as long as he has not claimed a tax deduction.

For example, if, having established an IRA in September 1975, he revokes it in March 1976, he is not considered to have established the IRA in September 1975 (& he would not have to pay the otherwise required 10% penalty for premature withdrawal of his money). Moreover, any fees on commissions collected by the financial institution that set up the IRA can be taken as a tax deduction.

Also, a taxpayer who established an IRA in 1975 may change the form of investment of his account before April 15 this year without being subject to the normal "once in 3 years" limitation on changes.

IRS will soon publish final regulations on various aspects of IRAs. It has issued temporary disclosure regulations requiring IRA sponsors to provide information on investments. Taxpayers may wish to send for a copy of the release (TIR-1425) that explains other features of the final regulation as well as the temporary disclosure regulations. Write to Public Affairs Division, Internal Revenue Service, 1111 Constitution Ave, NW, Washington, DC 20224.

Now that 1976 has just begun, consumers might want to start all over again—at a more leisurely pace—to check out the various forms of retirement plans that may be offered. Then they can take a tax deduction for a new IRA for this year when they file in 1977.

FTC interested

Early this year, **Federal Trade Commission** (FTC) announced an investigation of promoters & sellers of IRAs to determine if there is any illegality involved in the advertising of these plans.

Warranty regulations give consumer rights . . .

As the result of regulations issued by **Federal Trade Commission (FTC)** this month, you will have new rights when you buy products with written warranties. The regulations implement the Magnuson-Moss Warranty Act, which went into effect July 4, 1975. Congress gave FTC until Jan. 4, 1976, to finalize rules for those sections of the law that needed specific regulations. FTC has responded by issuing several new warranty regulations. Following is a synopsis of what your new rights will be under these warranty regulations—plus a description of the legal rights you now have under the law:

DISCLOSURE

The warranty law does not make product warranties mandatory but requires that all written warranties must disclose their terms & conditions in simple language. To enforce this requirement, FTC has issued a disclosure rule that applies to written warranties on consumer products actually costing the consumer more than \$15 (not including sales tax). This rule, which becomes effective Jan. 1, 1977, requires that the following be in a warranty:

- Clear description & identification of products, parts or components covered by &—when necessary for clarification—not covered by the warranty.
- Statement of what the warrantor (manufacturer or store) will do in the event of a defect or malfunction of the product. Statement must include a description of the items or services the warrantor will pay for or provide &—when necessary for clarification—which items or services will not be paid for or provided.
- Identity of the person to whom the written warranty is extended (explaining, for example, if the warranty is limited to the original buyer or is extended to second-owners of the product).
- Duration of the warranty &, if different from the purchase date, the time or event on which the warranty term commences (for example, saying the warranty begins when the company receives the owner registration card).
- Step-by-step explanation of what the consumer should do to get repair or replacement of the product under the warranty. This explanation should include such information as (1) the name of the warrantor, (2) the address of the warrantor; (3) the name of title & address of the department responsible for warranty obligations; & (4) a telephone number that consumers can use without charge to get warranty information;
- Information about any settlement mechanism to resolve warranty complaints.
- Statement on owner registration cards, telling the consumer whether the return of this card is or is not a condition precedent to warranty coverage.

PRE-SALE AVAILABILITY

The new warranty law recognizes that product warranties are not always available to consumers at the point of sale & that this lack of availability has limited consumers' ability to use warranty information as a tool for making product comparisons. To correct these problems, FTC has issued another regulation that carries out the intent of the law that all consumers have the opportunity to read & compare warranties at the time of sale.

Effective Jan. 1, 1977, the new regulation requires sellers to use one of 4 ways to make warranties available to prospective buyers; (1) displaying the warranty text near the product; (2) maintaining a binder containing the warranties for different competing products (these binders can either be displayed in the store or the store can post signs telling consumers that they are available upon request); (3) displaying a package disclosing the warranty text; or (4) displaying a sign containing the warranty text. The regulation also covers catalog, mail order & door-to-door sales. Under the rule, sellers must disclose next to the description of the warranted product either the full text of the warranty or a statement that the written warranty can be obtained free upon request & the address to write to get the warranty. For door-to-door sales, the regulation requires that consumers be told prior to the sale that the salesman has copies of the warranties that can be inspected at any time during the sales presentation.

DISPUTE SETTLEMENT

A unique aspect of the new warranty law is that it recognizes the problems & expense consumers have had resolving warranty disputes; Therefore, the law encourages the establishment of informal & independent processes to resolve disputes fairly, quickly & inexpensively. The law does not specify what kinds of dispute handling processes should be set up, but a third FTC rule, which will go into effect July 4, 1976, establishes minimum requirements for such processes, including recordkeeping, investigative procedures & audits. The rule also sets forth the duties of the warrantor who decides to incorporate such a process into the terms of a warranty. Under this rule, the warrantor using a complaint-handling process must disclose in the written warranty:

- Statement of the availability of the mechanism & its name & address or toll-free telephone number;
- Brief description of the mechanism's procedures & the types of information which the mechanism may require for prompt resolution of disputes;
- If it is a requirement under the warranty, a statement explaining to consumers that they must first use the complaint process before seeking certain legal action.

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... & a proposal about used cars

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To give industry the incentive to use complaint systems, the law allows warrantors to require that these systems be used under the warranty as a first step to resolve consumer disputes. If warrantors use these processes, the law also exempts them from class-action suits in certain instances. However, if the consumer decides not to use the system, he can still use legal remedies under state law to sue the warrantor.

USED CARS

In addition to requiring clear & useful information about all product warranties, the Magnuson-Moss Warranty Act also specifies the disclosure of certain material information about used cars. Accordingly, FTC has proposed a trade regulation rule under which used car dealers would have to put a statement on the cars they offer for sale containing the following information:

- Name, address & chief executive officer of the auto dealer.
- Make, model & year of manufacture of the vehicle.
- Identity of any commercial or government office that used, owned or leased the car & the nature of the prior use (such as a rental car or a police car).
- Description of any work performed by the dealer to fix a condition that may affect the car's performance or that exceeds \$100 in dealer costs.
- Description of the extent of any warranty or service contract;
- If the dealer attempts to disclaim all warranties, a statement that the vehicle is sold "as is" & a statement of the dealer's lack of warranty obligation.

The proposed rule is to prevent deception from misrepresentations about the condition & reliability of used cars. According to its Statement of Reason for the Proposed Rule, FTC "has reason to believe that a substantial number of used motor vehicles . . . are offered for sale or sold to the general public with mechanical defects. . ." FTC said it also had reason to believe that dealers frequently do not disclose reconditioning & mechanical work the dealer has performed on the car, prior use of the vehicle & warranty coverage.

OTHER RIGHTS

The 3 regulations—& proposed regulation described above—spell out specific rights to information that you will have under the warranty law. But the law (which is in effect now) also gives you new legal rights when the warranty is not honored. Although all states allow you to sue for breach of warranty, the new Federal laws increases your rights by permitting class action suits in certain instances & by giving the courts the right to award payment attorney's fees & all other costs to the winning party.

The new law also requires that warranties be labeled either as "full" or "limited" warranties, & this requirement is now in effect. As a result, if you buy a product with a "full" warranty, you are entitled to have your product repaired within a reasonable period of time. If it cannot be fixed, you can demand a replacement or a full refund. Also under the law, the warrantor cannot impose unreasonable conditions upon you (such as requiring you to bring in your refrigerator to be fixed.) If you buy a product with a "limited" warranty, FTC suggests that you find out what the warranty covers & excludes. Remember, the new disclosure regulations will not go into effect for another year. If you decide to buy a product with a "limited" warranty in the meantime, FTC recommends that you ask to see the warranty & find out what the warrantor will pay for & for how long a period.

For more information on warranties, write: Office of Public Information Federal Trade Commission Washington, DC 20580. Telephone: 202-523-3830.

Warning!

Consumer Product Safety Commission (CPSC) has warned that some 40,000 clamp-on lamps with metal reflectors may cause electric shock. According to CPSC, when the lamp is plugged in, the metal spring protecting the cord from strain at the base of the bulb socket cap may become electrically "hot," thus creating a shock hazard.

The lamps, which were made during 1970 & 1971 by Woods Wire Products, Inc., were sold in retail stores between April 1970 & December 1971 for approximately \$3. Some may still be available. The lamp consists of a bulb socket attached to a bowl-shaped metal reflector & to a clamp capable of gripping the edge of a table top, desk or other item of furniture.

What to do: If you have a lamp of this description, you can determine whether it is potentially defective by disconnecting it from the electrical outlet & looking for certain characteristics:

- After disconnecting the lamp, see if it was manufactured by Woods Wire Products Inc. If it was, the lamp will have a metal spring at the base of the socket, surrounding the power cord & extending into the base of the bulb socket cap. The wire usually has a black vinyl covering, with the trademark "INDUSTRO R" & "300 Volts" printed in white letters.

- Once you have identified the Woods lamp, you should separate the socket cap from the assembly & examine the inside of the socket. If there is a cardboard disc between the spring & the socket assembly, the lamp does not present the potential hazard. However, if there is no such insulator disc, you should call the company—without charge—at 800-428-9511 (in Indiana call collect at 317-844-7262) for instructions for returning the potentially defective socket assembly to the manufacturer. All postage will be paid by Woods Wire Products Inc.

For more information, you can also call CPSC's toll free hotline: 800-638-2666 (in Maryland, call 800-492-2937).

Correction

CONSUMER NEWS: Dec. 1 reported that families with joint adjusted gross incomes of up to \$35,000 could deduct the full cost of child care on their 1975 income taxes. Actually, this is right for 1976 Federal taxes but not for returns for 1975. Deduction for child care expenses in 1975 only applies to families with joint adjusted gross incomes of up to \$18,000 a year. However, families in the \$18,000 to \$27,600 adjusted gross income bracket can deduct partial costs. In both instances deductions must be itemized on IRS form #2441.

Recalls

MERCURY CAPRIS—Transportation Dept. has ordered Ford Motor Co. to recall 185,000 Mercury Capris, specifically those built in 1971 & 1972 & those 1973 models built before December 1972. According to Transportation's **National Highway Traffic Safety Administration (NHTSA)**, cars are being recalled because of defective windshield wipers. Wiper arm & blade may be thrown free of the pivot assembly resulting in "sudden" wiper failure.

Auto hotline

Consumers in the Metropolitan Washington, DC, area cannot reach the **National Highway Traffic Safety Administration's (NHTSA)** auto hotline [CONSUMER NEWS: Nov. 15] by dialing 800-424-0123. Consumers in the District of Columbia and nearby Maryland & Virginia communities should dial 426-0123 as a local number. Toll-free 800-424-0123 is for use by consumers in certain eastern states.

Both hotlines provide information about car recalls & other vehicle-related safety problems. NHTSA's phone service is a pilot project until October, when a decision will be made about continuing or discontinuing it. As of now, the 800-number serves consumers in Connecticut; Delaware; Maryland (outside the Washington metropolitan area); New Jersey; New York City, Long Island & Buffalo, NY; North Carolina; southern Ohio (513 & 614 area codes); Pennsylvania; Virginia (outside Washington metropolitan area); & West Virginia.

Vehicle safety investigations

National Highway Traffic Safety Administration (NHTSA) has opened one new investigation, suspended 2 for the time being & completed another in its continuing study of safety related problems of cars, motorcycle helmets, tires, child car seats & motorhomes. An investigation does not mean that there is a defect in each case listed, but that a safety related problem has been reported. In each instance, NHTSA wants to find the cause of the problem & how it can be remedied. The following are current NHTSA actions:

STATUS	CASE	MAKE & MODEL	YEAR	COMPO- NENT	POSSIBLE PROBLEM
New	C6-01	Aluminum Co. of America (Alcoa)/Kelly Springfield Tires Aluminum wheel rims, 11-22.5 & 11-25.5	all	tires	alleged tire bead chafing on wheels
Terminated	C3-39	Mercury Capri	1973	tubing connectors	alleged cracking of tubing connectors of fuel & evaporative line. CONCLUSION: investigation failed to disclose that the failure mode & its consequences represent a safety hazard.
Suspended	C3-02	Honda CB 750, CB 500, & CB 450 (K3 & K4)	all	gas tank filler cap	gas tank filler cap becomes dislodged allowing gas to become ignited.
Suspended	C4-60	Renault Model 17 Sports Coupe	1971-73	pressurized system	alleged fuel leakage from pressurized system onto engine exterior.

Consumers with any of the problems with the above makes & models (including those listed as suspended) may give NHTSA useful information by writing to **Office of Consumer Affairs, Transportation Dept.**, Washington, DC 20590, or calling 800-424-0123 (in Washington, DC metropolitan area, call 426-0123). Give make, model, year & serial number.

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